

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1811 - SB 2237

March 19, 2014

SUMMARY OF BILL: Authorizes a licensed nursing home bed to be converted to a reserved nursing home bed under certain circumstances. Requires a nursing facility to file a written notice of the conversion and pay a filing fee in the amount equal to the minimum filing fee for a certificate of need to the Health Services and Development Agency (HSDA). Requires HSDA to acknowledge receipt of the notice and fee and maintain a record of reserved nursing home beds rights. Authorizes a nursing home facility to implement one or more of its reserved nursing home bed rights as a licensed nursing home bed without a certificate of need under certain circumstances.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – It is unknown how many vacant licensed nursing home beds will be converted to reserved nursing home beds or when such a conversion will take place; therefore an exact fiscal impact cannot be determined. If all vacant beds are converted, there would be an increase in state expenditures of \$1,457,800 and an increase in federal expenditures of \$2,715,200.

Assumptions:

- It is unknown how many vacant licensed nursing home beds will be converted to reserved beds and when the beds would be converted; therefore, an exact fiscal impact cannot be determined.
- According to the Bureau of TennCare, facilities with occupancy below 80 percent for the cost of a reporting period have the capital portion of their per diem reduced on a stepped scale. Also, facilities with occupancy of 80 percent or higher are eligible to receive the \$3 per diem cost containment bonus.
- According to TennCare, and based on the Comptroller of the Treasury's (COT) FY13-14 Level 1 nursing facility rate schedule, there could be an increase in expenditures of \$4,173,002, if all facilities converted vacant beds to reserved beds and increased their occupancy rate to 80 percent.
- Of the \$4,173,002, approximately \$1,457,838 ($\$4,173,002 \times .34935$) will be state funds and \$2,715,164 ($\$4,173,002 \times .65065$) will be federal matching funds.
- A fee in the amount of the minimum fee for a certificate of need would have to be obtained prior to the conversion of any licensed beds. It is assumed that the fee collected will be sufficient to cover the cost of receiving the notice, responding to the notice, and

maintaining a record of the reserved beds; therefore, the net impact to HSDA is not significant.

- The \$2,225 per licensed bed nursing facility assessment is set to terminate on June 30, 2014. If the assessment is extended an additional year and beyond, there could be an impact to state revenue if a facility reduced the number of licensed beds for the assessment by converting some beds to reserved beds. Due to a number of unknown factors, such as when licensed beds may be converted to reserved beds, the number of beds that would be converted, if a General Assembly will extend the nursing facility assessment, and how long the assessment will be extended, the exact fiscal impact to state revenue cannot be quantified.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" and last name "Geise" clearly distinguishable.

Lucian D. Geise, Executive Director

/kml